

PROCEDURAL ORDER

PUBLIC UTILITIES COMMISSION
Investigation of Total Element
Long-Run Incremental Cost (TELRIC)
Studies and Pricing of Unbundled
Network Elements

June 15, 2000

I. BACKGROUND

On August 4, 1997, the Commission issued a procedural order opening a new docket to be used by the Commission to review all TELRIC cost issues, evaluate TELRIC studies and models, and develop TELRIC-based pricing of unbundled network element (UNEs).¹ The Commission's schedule was in part driven by requirements of the Federal Communications Commission (FCC) relating to the filing of forward-looking cost studies by state commissions by February 6, 1998.² The FCC was also in the process of developing its own cost model for universal service purposes. The Advisors indicated to the parties early on in the proceeding that the Commission was interested in developments at the FCC and the potential use of any FCC-developed universal service fund (USF) cost model for developing prices for UNEs, it being desirable, if not necessary, to use the similar models and model inputs for both UNEs and state USF purposes.

Testimony was filed and discovery taken during the fall of 1997. In a December 8, 1997 procedural order, the Commission determined that, given the developments at the FCC regarding cost models, it would be best to bifurcate the hearings in this docket. The first round of hearings would address non-model platform and input issues while the second round would address cost model issues. Hearings on the first round issues were held on January 20 – 23, 1998. Bell Atlantic and AT&T presented the testimony on the following topics:

- cost of capital
- depreciation
- fiber/copper loop cross-over points
- structure sharing

¹Previously the Commission had opened Docket No. 96-781, Investigation of the Entry of New England Telephone and Telegraph Company d/b/a/ NYNEX into In-Region InterLATA Services Pursuant to 47 U.S.C. § 271, to help develop a thorough record of all relevant issues and facts relating to NYNEX's (now Bell Atlantic) anticipated application to the Federal Communications Commission

²In the Matter of the Federal Joint Board on Universal Service, Order, CC Docket No. 96-56 (June 4, 1997) at ¶ 282.

- fill factors
- cost of equipment (switches, cable, etc.)
- OSS
- wholesale discount
- NRCs (non-recurring costs)
- collocation
- common overhead
- carrying charge factors (i.e., capital cost, administrative, tax, building, and maintenance factors)
- STP costs
- SCP costs
- SS7 link costs

Opening briefs on the first round of hearings were to have been filed beginning in mid-February 1998, and opening testimony on the second round of hearing topics was to have been filed in March and April of 1998 and hearings held in late April or early May.

On February 12, 1998, a procedural order was issued noting that the FCC had indicated that it was planning to release its model platform in mid-March of 1998. The Examiners decided that, given the potential applicability of the model platform to the proceeding and second round of hearings, they would not schedule the second round of hearings until sometime after the FCC released its model. We further indicated that, upon a determination that the FCC's model platform should be considered in this docket, we would set a date for the hearings as well as a pre-hearing schedule which would include time for the filing of testimony relating to the FCC model. The FCC did not release its model platform until October 1998 and its final model inputs until January 2000. Thus, no further action was taken in this docket until today.

II. FCC MODEL DEVELOPMENT PROCESS

In the course of the USF model development process at the FCC, several industry-sponsored models were submitted for evaluation. These included the Benchmark Cost Proxy Model ("BCPM") sponsored by US West, Sprint and Bell South, and the HAI ("Hatfield") model sponsored by AT&T and MCI. FCC staff members worked on a model known as the Hybrid Cost Proxy Model ("HCPM"), which incorporated elements of both of the industry models and a set of new loop design and customer location clustering algorithms developed by the FCC staff.

In October 1998 the FCC adopted a "synthesis" model consisting of the HCPM clustering and loop design modules in combination with HAI switching, transport and expense modules.³ In May 1999, the FCC released the Inputs Further Notice in which it

³ In the Matter of Federal-State Joint Board on Universal Service, Fifth Report and Order, Docket No. CC 96-45 (Oct. 22, 1998). This model is sometimes referred to as the "platform," to distinguish the model's logic, simulation, engineering, and mathematical aspects from issues related to the model's input values.

proposed and sought comment on a complete set of input values for use in the model, such as the cost of switches, cables, and other network components.⁴ In October 1999 the Commission adopted a final inputs order which contained a set of input values for the model along with modifications to the model's platform.⁵ The FCC released the latest modification to the model on January 20, 2000.⁶ The model was used as the basis of an explicit methodology for determining non-rural carriers' USF support to begin on January 1, 2000.

III. PROCEDURES FOR MOVING FORWARD

Now that the FCC model has been issued and it appears that it can be modified for use in developing prices for UNEs, the Commission would like to move this matter forward. There are several preliminary issues that must be addressed before we can turn to the substantive work of developing UNEs. First, we need to determine who the parties to this renewed proceeding will be. Since the time this docket was initiated, there has been a substantial increase in the number of competitive local exchange carriers (CLECs) providing service in Maine. These CLECs may be interested in participating in the proceeding. Any late joiners will take the litigation as they find it. In order to determine which parties might be interested in participating, a copy of the this procedural order will be mailed to all registered CLECs in Maine. **Any party wishing to intervene in this matter must do so by June 30, 2000, and include in their petition a description of the party's anticipated participation, including the issues the party is likely to litigate.** In addition, we request that the parties who previously intervened in this case (AT&T Communications, the Office of the Public Advocate, and MCI/Worldcom) confirm in writing whether they intend to continue to participate in this proceeding. **We will hold a case conference on July 11, 2000 at 10:00 a.m. in the Commission's Hearing Room to discuss how to proceed in this case.**

Second, we need to determine whether and to what extent the Commission can and should rely upon information, testimony, and data submitted earlier in this

⁴In the Matter of Federal-State Joint Board on Universal Service, Seventh Report and Order and Thirteenth Order on Reconsideration in Docket No. 96-45 and Fourth Report and Order in CC Docket No. 96-262 and Further Notice of Rulemaking, CC Docket Nos. 96-45, 96-262 (May 28, 1999).

⁵In the Matter of Federal-State Joint Board on Universal Service, Sixteenth Order on Reconsideration, CC Docket No. 96-45 (Oct. 21, 1999)

⁶See www.fcc.gov/ccb/apd/hcpm. The FCC model's platform and input values can be downloaded from this website. In particular, the file "install.zip" contains the Microsoft Word files "hcpm.doc," a detailed description of HCPM; "history.doc," a description of the evolution of HCPM and its input values; and "user_man.doc," an HCPM user's manual. History.doc also contains user instructions that are necessary for running the model and that are not in the user's manual

proceeding. The answer to this question will in part be determined by the direction and scope of this proceeding. Since the time this docket was started, there have been numerous developments including several FCC orders, several federal court decisions, and the offering of new services by Bell, all of which may require revision of earlier testimony and submission of additional testimony. In addition, issues such as extended links, DSL, and dark fiber were not covered in the earlier testimony and filings. We will seek input at the case conference from the parties on what other new issues should be included in this proceeding.

Third, in addition to modifying the FCC model to produce UNE costs, we are aware that the loop length and customer location data bases that have been used in the FCC model are not accurate, and therefore another major task will be to obtain accurate loop length and customer location data bases and integrate them into the model. In addition, there are a number of issues related to making other model inputs more applicable and specific to Bell Atlantic-Maine's wire centers (which include switches, loop lengths, business and residential customer counts, and customer locations), trunks and umbilicals, traffic factors, structure sharing, fill rates, plant mixes, O&M, land and building costs. We will be seeking input from the parties at the case conference regarding what other model inputs might need to be modified to fit Maine-specific circumstances.

Fourth, there is the question of whether TELRIC-based UNEs should be wire-center-specific, whether customer density bands should be set within a wire center (based on loop length distance from the switch), or whether wire centers should be grouped into a number of customer density zones, and if so, how many. We will also be seeking input from the parties at the case conference regarding the general direction we should take on this issue.

Finally, if any party has filed comments with FCC on the USF model platform or its input values, please forward a copy to the Advisors as soon as possible.

Dated at Augusta, Maine this 15th day of June, 2000.

BY ORDER OF THE HEARING EXAMINER

Trina Bragdon